

286.5-491 Default in payment of dues -- Fine -- Forfeiture of shares -- Payments in advance.

- (1) Members who default in payment of their monthly or weekly charges, may be charged a fine not exceeding ten cents (10¢) per share a month on each share in arrears, and in the event the member is a borrower, not exceeding an additional ten cents (10¢) per one hundred dollars (\$100) or part thereof on account of failure to pay interest. No fine shall be charged after the expiration of six (6) months from the first lapse in any such payment, nor upon fines in arrears.
- (2) The shares of a member who continues in arrears more than six (6) weeks shall, at the option of the directors, if the member fails to pay the arrears within thirty (30) days after notice, be declared forfeited and the withdrawable value of the shares at the time of the first default shall be ascertained and, after deducting all fines and other legal charges, the balance shall be placed to an account to be designated as the "forfeited share account" to the credit of the defaulting member. If the member is not a borrower, he shall be entitled, upon thirty (30) days' notice, to receive the balance so transferred without interest, in his turn, out of the funds appropriated to the payment of withdrawals. All shares so forfeited or transferred shall cease to participate in any income of the corporation accruing after the last adjustment and distribution of dividends before the default.
- (3) An association may require borrower to pay monthly in advance, in addition to interest or interest and principal payments, the equivalent of one-twelfth (1/12) of the estimated annual taxes, assessments, insurance premiums, and other charges upon the real estate securing a loan, or any of such charges, so as to enable the association to pay such charges as they become due from the funds so received. The amount of such monthly charges may be increased or decreased so as to provide reasonably for the payment of the estimated annual taxes, assessments, insurance premiums, and other charges. The association may carry such funds in trust in an account or may credit the same to the indebtedness and advance the money for taxes, insurance, or other charges. Every association shall keep a record of the status of taxes, assessments, insurance premiums, and other charges on all real estate securing its loans and on all real and other property owned by it.

Effective: June 18, 1964

History: Created 1964 Ky. Acts ch. 138, sec. 30, effective June 18, 1964.

Formerly codified as KRS 289.491.

Legislative Research Commission Note (7/12/2006). In accordance with 2006 Ky. Acts ch. 247, secs. 38 and 39, this statute has been renumbered as a section of the Kentucky Financial Services Code, KRS Chapter 286.